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TO RUEHC/SECSTATE WASHDC IMMEDIATE 2443  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY  
RUEHCV/AMEMBASSY CARACAS PRIORITY 0386  
RUEHME/AMEMBASSY MEXICO PRIORITY 6464  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 03 TEGUCIGALPA 001102

SIPDIS

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STATE FOR EB/ESC, WHA/EPSC, WHA/PPC, AND WHA/CEN  
STATE FOR D, E, P, AND WHA  
TREASURY FOR JHOEK  
STATE PASS AID FOR LAC/CAM  
NSC FOR DAN FISK

E.O. 12958: DECL: 06/15/2016

TAGS: EPET ENRG PREL PINR VE HO

SUBJECT: HONDURAN INDUSTRIALISTS ASK GOV FOR DIRECT  
PETROCARIBE DEAL

REF: A. A: TEGUCIGALPA 1026 AND PREVIOUS

1B. B: SAN SALVADOR 000853

Classified By: CDA James Williard for reasons 1.4 (b,d)

11. (C) Summary: The Honduran Industrialists Association (ANDI) has written a letter to the Government of Venezuela seeking a direct PetroCaribe arrangement, modeled after deals recently struck with mayors in El Salvador and Nicaragua (ref B). PetroCaribe is a government-to-government program, so it is unclear whether the GOV will take ANDI up on its offer. In addition, it appears to Post that the GOH is moving forward with a PetroCaribe-like deal in any case, which could render such an accord with ANDI redundant and unnecessary. ANDI President Adolfo "Fito" Facusse was a member of the GOH-mandated Commission of Notables that recommended a competitive international bid for fuel imports for Honduras. It is ironic therefore, that he is willing to undermine that very effort before it is even launched, in an attempt to sign his own, non-competitive, non-transparent deal with Venezuela. Facusse has long sought to get PetroCaribe into Honduras, and was reportedly the Commission member most responsible for raising that option. In his own defense, Facusse says ANDI's private PetroCaribe deal would force reform of the state run electric company, a crucial step if CAFCA is to work for Honduras. End Summary.

12. (U) On June 12, the Honduran Industrialists Association, led by former Commission of Notables member Adolfo "Fito" Facusse, sent the following letter to the Embassy of Venezuela, seeking to initiate negotiations for a PetroCaribe deal (to "join the mechanism known as PetroCaribe or a similar entity created for the Central American region"). ANDI is joined in its request by the National Transport Council (CNT), one of the protagonists in recent street protests against high fuel prices.

13. (U) Begin unofficial translation of text:

Your Excellency Mr. Claudio Sorio, Charge d'Affaires, Embassy of the Bolivarian Republic of Venezuela

On various occasions we have had the pleasure of your

attendance at our Executive Committee and National Board of Directors meetings, at which you have presented the generous support programs of President Hugo Chavez, of our sister Bolivarian Republic of Venezuela, for the neediest people, such as our own.

This is why when I was designated by the National Congress of our country to join the Notables Commission -- charged with drafting recommendations to confront the problem of the high cost of fuel -- I was able to invite you and other members of your diplomatic mission to meetings of that Commission, which led to, among other things, its recommendation that our government sign an accord joining the PetroCaribe initiative with a view towards importing, with all the benefits that program brings, the fuel necessary for thermal generation of electricity required by the national Electric Company (ENEE) for its private electricity suppliers.

Unfortunately, for various reasons, that Commission recommendation was not implemented, despite the continuing grave energy crisis which each day impacts more on the costs of the basic basket of goods and services that our population requires. This crisis affects not just the cost of transportation and of industrial production, but also impacts -- given that 70 percent of our electricity is thermally generated -- on the finances of ENEE (our largest state-run enterprise) and on the cost of electricity.

Given this situation, and given that ANDI represents the majority of productive enterprises in Honduras, from the micros and small enterprises of the informal sector -- which we assist through our Covelo Network -- to the medium and large-sized agro-industrial and industrial companies, we are formally permitted to propose to you for your government's

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consideration the signing of an agreement between the Bolivarian Republic of Venezuela and our Association, similar to those recently agreed to by various municipalities of El Salvador and Nicaragua. (We seek) to join the mechanism known as PetroCaribe or a similar entity created for the Central American region, which, as we understand it, permits us to pay no more than 50 percent within 60 days and no less than 50 percent over a 25-year period, including a two-year grace period, at one percent annual interest.

ANDI would import fuel to be used by its affiliate members, substantially passing on to them the benefits of this low-cost, long-term financing, in such a way as to maintain the most stable prices possible, to the benefit of the lowest-income Hondurans, the market for most of our production.

We are pleased to inform you that we have submitted this initiative to the National Transportation Council (CNT), made up of operators of both cargo and personal transport, including taxi drivers, as is detailed in the attached document, and they too have promised to use the imported fuel in support of this unique plan and exclusively by their thousands of members nationwide.

We are conducting research on the types and volumes of fuel required but, at this time, we anticipate our needs will consist primarily of diesel fuel and Bunker C. It is possible that to this consumption by ANDI and CNT members could be added the fuel needs of electricity generators, which would bring relief to the users of that service.

We do not know if we will have immediate use of sufficient storage tanks, in which case we would like to request, if possible, that you provide sufficient financing for their construction.

We hope to conclude this agreement with the Bolivarian Republic of Venezuela in the short term for the benefit of the Honduran people by means of the institutions that

safeguard the interests of producers and transportation operators, elements that are basic to our economy.

((Complimentary closing))

End unofficial translation of text.

¶4. (C) In a June 14 conversation with EconOff, Facusse described his move to negotiate directly a PetroCaribe deal with Venezuela as an attempt to preempt a similar GOH deal, rumored to be in the works for months. He appeared extremely confident that ANDI could make it work, investing sufficient funds to pay back the principal while distributing savings to ENEE and the end consumer. In exchange, Facusse feels that he can demand needed changes to ENEE, including breaking the energy company's monopoly and eliminating subsidies. He believes that to make CAFTA work the cost of energy needs to be lower, and that ENEE is not competitive. &Right now ENEE is an obstacle to investment,<sup>8</sup> he said.

¶5. (C) Comment: Curiously, this proposal comes prior to the roll-out of the terms of reference for the international bid solicitation process being developed by the GOH at the behest of the Commission of Notables, of which Facusse was a member. Thus, Facusse's non-competitive arrangement runs contrary to and undermines the alleged goals of the bid process he encouraged the GOH to implement. Given previous Facusse statements to Post, including his championing of the PetroCaribe option even while on the Commission, Post assesses that Facusse was never committed to a competitive bid process, but rather saw it as an opportunity to open the door for PetroCaribe entry into Honduras. Facusse, however, still maintains that a PetroCaribe-like deal for all of Honduras, fuel would be &too dangerous<sup>8</sup>, leaving the country in the hands of an unreliable supplier, and presents too many political implications.

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¶6. (C) Comment continued: Facusse himself is a study in contrasts: a millionaire industrialist who graduated from MIT, but who is an admirer of Castro's Cuba and who delights in staking out radical positions to provoke interlocutors. However, he is also the founder of a highly successful micro-credit enterprise, the Covelo Foundation, that supports business development among Honduras' poorest communities, and is consistently one of the more vocal advocates for sustainable (that is, market-based) solutions to development. Facusse is also unabashedly pro-CAFTA, though his proposed solutions to Honduras' structural problems are often unorthodox. Post does not think Facusse is a Chavez supporter per se, but is more likely seeking a way to alleviate the burden of high fuel prices on the poor (and on himself and his fellow industrialists). How he plans to repay Chavez for his "generosity", however, remains to be seen. End Comment.

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